

## Message Text

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ACTION EB-11

INFO OCT-01 NEA-11 ISO-00 FEA-02 SCI-06 INT-08 COME-00

OMB-01 TRSE-00 STR-08 AID-20 IGA-02 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01

PRS-01 SPC-03 SS-20 USIA-15 DRC-01 /148 W

----- 038742

R 211330Z JAN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 9161

INFO AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

LIMITED OFFICIAL USE NEW DELHI 1002

STAFF ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, IN

SUBJ: ENERGY: CRUDE OIL PRICE INCREASES

REF: A) NEW DELHI 0942 (NOTAL); B) NEW DELHI 0924 (NOTAL)

1. BURMAH-SHELL AND ESSO COMPANY REPRESENTATIVES HAVE CONFIRMED JANUARY 17 PRESS ANNOUNCEMENTS OF NEW "PROVISIONAL" PRICE LEVELS FOR CRUDE OIL IMPORTED TO INDIA. CALTEX ALSO JOINED THE GROUP WITH A SIMILAR NOTIFICATION TO THE GOI (ALBEIR UNANNOUNCED) JANUARY 18. REPORTEDLY, THE GOI'S IMMEDIATE, AND UNDERSTANDABLE, REACTION WAS TO COUNTER WITH REQUESTS THAT THE COMPANIES ASSIST INDIA BY INTERNALLY ABSORBING SOME PORTION OF EACH NEWLY-PROPOSED PRICE RISE. ALL COMPANY REPS CLAIM, HOWEVER, THAT (AS IN THE RECENT PAST) THE NEW PRICES ARE NOT NEGOTIABLE -- THOUGH MINOR ADJUSTMENTS ARE ANTICIPATED, LIMITED OFFICIAL USE

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UP OR DOWN, FOLLOWING EACH FIRM'S MORE THOROUGH STUDY OF CURRENT

WORLD MARKET CONDITIONS VIS-A-VIS CRUDE SUPPLY AVAILABILITY  
AND THE EXCHANGE LEVEL OF THE DOLLAR.

2. BURMAH-SHELL AND CALTEX ARE NOW QUOTING \$8.48 PER BARREL  
F.O.B. OILPORTS FOR LIGHT IRANIAN CRUDE, RETROACTIVE TO JANUARY  
1, 1974, COMPARED TO \$3.86 ON DECEMBER 31, 1973. ESSO HAS  
PEGGED ITS NEW PRICE FOR ITS SAUDI ARABIAN MIX AT \$8.29  
(UP FROM \$3.58 PER BARREL. WITH INSURANCE AND FREIGHT ADDED,  
THE NEW TOTAL C.I.F. COSTS TO THE GOI WILL THEREFORE BE  
ABOUT \$9.14 AND \$8.95 PER BARREL RESPECTIVELY, IF IMPLEMENTED.

3. IF THESE PRICES HOLD, THE GOI'S IMPORTED CRUDE COST BILL  
MAY THEREFORE TOTAL ABOUT \$912.0 MILLION DURING CY1974 (COMPARED  
TO \$358.5 MILLION IN 1973). THIS ASSUMES AN AVERAGE ALL-  
INDIAN REFINERY C.I.F. COST OF \$9.00 PER BARREL AND CRUDE  
IMPORTS AT 101.3 MILLION BARRELS (REF A). THE GOI MAY, OF COURSE,  
CUT BACK ON THE VOLUME IMPORTED, AND THE PRICE PER BARREL MAY  
WELL EXCEED OR FALL SHORT OF A \$9.00 AVERAGE (ALL REFINERIES;  
PUBLIC AND PRIVATE SECTOR) FOR THE YEAR. AS WE HAVE POINTED  
OUT IN REF A, EACH POSSIBLE VARIABLE INTRODUCES AN ADDITIONAL  
UNCERTAINTY OF A MAGNITUDE SUFFICIENT TO MAKE YEAR-END TOTAL  
COST PREDICTIONS DIFFICULT AT THIS EARLY DATE. THUS FAR,  
HOWEVER, THE GOI HAS NOT REDUCED ITS IMPORTS OF CRUDE AND,  
PRESUMABLY, WILL NOT DO SO UNTIL DOMESTIC PRIORITIES HAVE  
BEEN SORTED OUT.

4. THE GOI'S JANUARY 18 ANNOUNCEMENT OF ITS INTENT TO PURCHASE  
74 PERCENT OF ESSO INDIA'S EQUITY SHARE HOLDINGS (REF B) IS  
NOT, AT THIS EARLY JUNCTURE, EXPECTED TO ALTER CRUDE OIL  
PRICES AS CURRENTLY QUOTED. EARLY INDICATIONS ARE THAT THE  
NEW GOI/ESSO PURCHASE AGREEMENT (TO BE SIGNED "IN A FEW WEEKS")  
WILL, HOWEVER, AT LEAST INCLUDE AN IMPROVED CRUDE OIL PURCHASE  
PLAN (E.G. LONG-TERM ASSURED SUPPLIES FROM SAUDI ARABIA IN  
LIEU OF THE "TANKER-LOAD" PURCHASE SYSTEM FORMERLY EMPLOYED  
BY THE GOI AND ESSO). WE WILL REPORT FURTHER ON THIS DEVELOPMENT  
AND ITS RELATIONSHIP TO CRUDE AVAILABILITY AND PRICES AS  
DETAILS BECOME KNOWN.

SCHNEIDER

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## Message Attributes

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**Concepts:** PETROLEUM, PRICES  
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**Draft Date:** 21 JAN 1974  
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**Disposition Approved on Date:**  
**Disposition Authority:** MorefiRH  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
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**Disposition Reason:**  
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**Document Source:** CORE  
**Document Unique ID:** 00  
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**Film Number:** n/a  
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